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Empresa Sustentável

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Sustentabilidade Empresarial

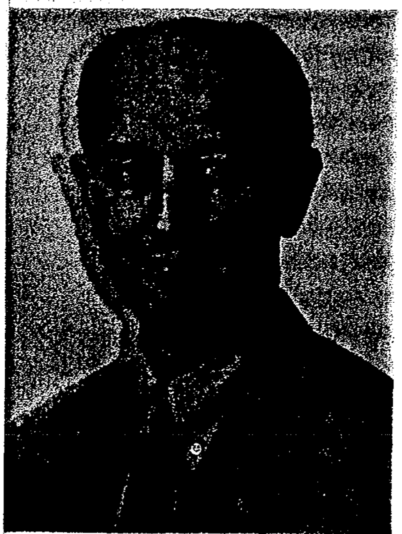
O novo desafio da gestão

A visão de Björn Stigson, presidente do World Business Council for Sustainable Development.

Entrevista a Mira Amaral, vice-presidente da Caixa Geral de Depósitos.

Relatórios de Sustentabilidade: o Caminho para uma Performance Nitidamente Melhor

Por Paul Hohnen*



*Paul Hohnen
Director do Departamento Estratégico do *Global Reporting Initiative* (GRI)

Afinal o que é exactamente o desenvolvimento sustentável?

Apesar de toda a informação acerca de desenvolvimento sustentável, uma vez que existem mais de 4 milhões de sites na internet que contêm o termo, a realidade é que a maioria das pessoas não sabe o que significa. Não sabe também o que é um relatório de sustentabilidade. Afinal, o conceito de desenvolvimento sustentável tem apenas uma ou duas décadas de existência e, por outro lado, o conceito de relatório de sustentabilidade tem apenas cerca de cinco anos de idade. Hoje em dia os empresários ouvem frequentemente discursos sobre estes assuntos, por parte da comunicação social, dos trabalhadores, dos clientes, dos governos, das ONGs e mesmo por parte dos accionistas, mas os detalhes práticos ainda estão em falta.

Desenvolvimento sustentável é vagamente definido. Articulado na Comissão Mundial para o Desenvolvimento Sustentável, em 1987, incorpora a proposição de que cada geração deveria garantir que o seu desenvolvimento é implementado de modo a que as gerações futuras sejam também elas capazes de assegurar o seu próprio desenvolvimento. No entanto, esta definição não fornece nenhuma orientação concreta às empresas sobre o que significa sustentabilidade ao nível empresarial, nem sobre o modo como tal pode ser alcançado.

Existem dois factores básicos acerca do desenvolvimento sustentável.
O **primeiro** é que, ao nível global, o modelo corrente de desenvolvimento económico não pode continuar. Actualmente, estamos simplesmente a usar demasiadas matérias primas a um ritmo demasiado acelerado e os nossos resíduos acumulados estão igualmente a causar problemas ambientais e de saúde. Demasiadas pessoas estão presas na pobreza e deixadas completamente de parte no processo de desenvolvimento mundial. Tudo isto foi aceite pelos governos mundiais em ambas as Cimeiras da Terra, em 1992 e em 2002.
O **segundo** assenta no facto de, ao alcançar-se o equilíbrio entre gerações presentes e futuras, o homem precisará de analisar as suas opções económicas, sociais

e ambientais. Não podemos ter crescimento económico que não respeite o homem e o meio ambiente. Mas, igualmente, não será possível alcançar os objectivos ambientais e sociais sem manter e, mais justamente, partilhar o desenvolvimento económico. Através da criação de emprego, de financiamento, de novas tecnologias e de capacidades empresariais, as empresas e o mundo dos negócios têm um papel chave a desempenhar na ajuda que podem dar para o alcance de um mundo mais sustentável.

Existem, no entanto, dois desfasamentos no que respeita ao desenvolvimento sustentável. O desfasamento entre o modelo de desenvolvimento corrente e o que necessitamos para se tornar sustentável e o desfasamento da informação, nomeadamente no significado da sustentabilidade, ao nível sectorial e individual de cada unidade de negócio. Os governos têm concordado em muitos tratados e leis relativas a assuntos como emissões químicas, alterações climáticas, conservação dos *stocks* de peixe e da floresta, mas nenhum deles tem qualquer orientação dirigida às empresas, no que respeita ao que efectivamente necessita de ser feito e ao modo como esses objectivos podem ser alcançados.

Como é que um relatório de sustentabilidade pode ajudar?

É aqui que o relatório de sustentabilidade se torna importante. O conceito de relatar a sustentabilidade emerge, primeiramente, como uma resposta directa ao reconhecimento de que era urgente operacionalizar o conceito de desenvolvimento sustentável: a sua integração nas práticas diárias das empresas e de outras organizações.

O que faltava era um ferramenta prática que definisse e medisse o progresso no alcance do desenvolvimento sustentável, de um modo credível, transparente e consistente. Reconhecendo que nenhuma ferramenta poderia ser perfeita numa fase inicial, teria de ser flexível e baseada em princípios de melhoramento contínuo.

O *Global Reporting Initiative* (GRI), foi criado em 1997 e tem, como principal objectivo, a criação de uma estrutura que promova o desenvolvimento e o acordo entre os indicadores principais do desenvolvimento sustentável. O GRI, com sede em Amesterdão, é revolucionário em dois aspectos importantes:

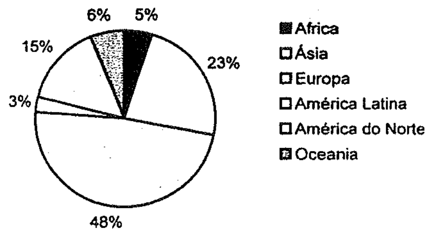
- Visão tripartida : até ao surgimento do GRI, não existiam esforços de coordenação que juntassem os aspectos económicos, sociais e ambientais na performance de uma organização. Existiam códigos, linhas orientadoras e *standards*, mas usualmente dirigidas a uma dessas vertentes, não juntando esses três aspectos numa mesma perspectiva. As *Sustainability Reporting Guidelines*, do GRI, fizeram com que todas as organizações possam medir e, se o desejarem, reportar a sua performance nessas três áreas.

- Multi-stakeholder : Antes da criação do GRI, os indicadores de sustentabilidade eram deixados por definir, ou eram definidos ao nível nacional ou sectorial. Isto significa que não eram relevantes do ponto de vista global, ou legítimos aos olhos dos outros sectores da sociedade que não estivessem envolvidos nesse processo. Pelo contrário, o processo implementado pelo GRI envolve a participação dos principais sectores não governamentais da sociedade: empresas, prestadores de serviços, organizações de trabalho, Organizações Não Governamentais (ONGs) e universidades. Este modo de operar transforma-se num processo de *Multi-Stakeholder*, onde se encontra um consenso sobre os indicadores globalmente relevantes e comparáveis.

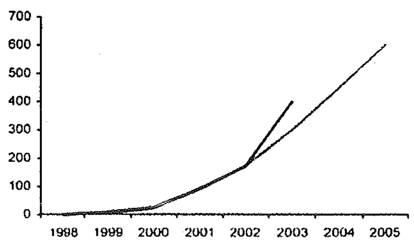
Há cinco anos atrás, apenas uma mão cheia de empresas reportava algo mais do que os seus relatórios de contas. Hoje, milhares de empresas divulgam alguma informação não relacionada à sua performance financeira, usando de alguma forma indicadores de sustentabilidade.

Mais de 400 empresas em 43 países do mundo usam as *guidelines* definidas pelo GRI, e este número está a crescer rapidamente[1].

Cerca de 417 organizações em 43 países usam a *guidelines* do GRI



Crescimento de organizações a usarem as *guidelines* do GRI



O GRI tornou-se naquilo que alguns chamam de "padrão de

1- Para mais informações ver www.globalreporting.org como para reportar a sustentabilidade. Isto ocorre devido ao facto de ter sido oficialmente reconhecido (por exemplo pela Cimeira das Nações Unidas sobre o Desenvolvimento Sustentável em 2002 e pelo *UN Global Compact* como a ferramenta preferida ao nível dos relatórios) e ter-se tornado no líder de mercado, sendo usado pelas empresas e pelos seus utilizadores, como os bancos e os investidores.

Por que reportar e para quem?

Ao usar as *guidelines* do GRI, as organizações podem começar a aprender o que desenvolvimento sustentável significa na prática. Mas isso ainda deixa uma questão: porque é que uma empresa deverá reportar os seus activos não financeiros? Afinal, a divulgação desta informação não é mandatária?
Durante a última década, surgiram diferentes grupos de *stakeholders* com interesses específicos acerca do desenvolvimento sustentável:

- *Empregados*: querem informação acerca do modo como a sua empresa se está a comportar em relação a planos de expansão, fecho de fábricas e acerca de problemas de saúde e de segurança. Basicamente, procuram informação acerca de tudo o que pode afectar o seu emprego, as suas famílias e as comunidades locais. Se uma empresa tem a capacidade de atrair e manter os seus empregados, necessita de emitir um sentimento de confiança e de ter os seus objectivos bem definidos e as suas práticas bem solidificadas. Aqui, o reportar a sustentabilidade pode ser uma ferramenta poderosa na comunicação com o pessoal, de forma a comprometê-lo no esforço colectivo que melhore a performance da empresa.

- *Clientes*: querem informação acerca dos produtos e dos seus processos de produção. A qualidade do produto e, de um modo crescente, o modo como foi produzido, são factores que são tidos em conta, tal como o preço, no processo de decisão do agente económico. Tal como inúmeras ONGs têm ilustrado, os direitos humanos e as questões ambientais têm vindo a tornar-se nos pontos centrais da exigência crescente de transparência. Reportar a sustentablidade pode ser usado para informar os clientes sobre a performance, construindo um sentimento de confiança. Permite ainda reunir ideias para melhoramento e redução dos riscos de boicotes e de outros ataques à marca que possam existir.

- *Investidores*: querem informação que possa afectar a segurança do seu investimento. Accionistas e gestores de fundos, grandes e pequenos, necessitam de um vasto leque de informação. No passado, esta necessidade era colmatada com os relatórios de contas. No entanto, a série de colapsos financeiros a que temos vindo a assistir na primeira parte da década presente, diminui a confiança do público na gestão corporativa e no tradicional relatório de contas.

Reportar a sustentabilidade é agora usado de modo a ir ao encontro da necessidade dos accionistas de uma maior transparência acerca da governação da empresa, da gestão, da situação financeira, das práticas laborais, dos pensamentos estratégicos e dos planos para o futuro. Nos EUA, vários fundos de investimento ético têm levado a que os accionistas tenham vindo a exercer uma pressão crescente para as empresas usarem as *guidelines* do GRI.

- Agências de *rating* e *benchmarking*: estas organizações desempenham um papel importantíssimo na definição do comportamento do investidor. Elas adquirem informação detalhada sobre vários aspectos financeiros e não financeiros das empresas. Este interesse pode ser testemunhado pelo aumento de questionários que estas agências, junto com os gestores de fundos, enviam frequentemente às empresas . O facto de várias instituições líderes de investimento encorajarem os relatórios baseados nas *guidelines* do GRI, evidencia que o mercado está à espera de mais informação do que a exigida legalmente.

- Regulamentação: é necessário encontrar o equilíbrio entre as exigências dos *stakeholders* por informação extensiva e detalhada e as preocupações corporativas acerca dos custos excessivos e dos problemas associados à confidencialidade comercial. Os governos e as entidades reguladoras do mercado respondem às mudanças de interesses e definições sobre o que é, de facto, informação "material", e tentam encontrar um compromisso que garanta um funcionamento saudável dos mercados. Como é demonstrado com a legislação de *Sabanes-Oxley*, nos EUA, os legisladores podem agir rapidamente de modo a anteciparem problemas ao nível da transparência. Em vários países (por exemplo na França e no Reino Unido), a legislação requer algum tipo de informação associada ao impacte social e ambiental das políticas das empresas. Também, e talvez marcando uma nova tendência, a bolsa de valores de Joanesburgo exige que todas as empresas cotadas preparem um relatório de sustentabilidade e recomenda o uso das *guidelines* do GRI.

- *ONGs*: as organizações da sociedade civil têm, frequentemente, um papel de guarda, realçando e tornado visíveis assuntos que consideram não estarem a receber a atenção necessária. A Organização das Nações Unidas, lista mais de 2350 ONGs que têm um papel formal consultivo no Conselho Económico e Social, o órgão responsável, entre outras responsabilidades, pelo desenvolvimento sustentável. Várias ONGs exigem agora a criação de leis ao nível da *accountability* corporativa. Os relatórios baseados nas *guidelines* do GRI e que contêm contribuições de ONGs constituem uma base credível para reportar o seu desempenho ao nível da sustentabilidade, bem como no relacionamento de longo prazo com as ONGs.

- *Meios de comunicação*: respondem ao interesse público sobre um assunto. Os avanços tecnológicos tornam possível que as televisões e os jornais tenham acesso e reportem sobre uma quantidade imensa de informação de todas as partes do mundo a uma velocidade incrível. Os relatórios de sustentabilidade demonstram transparência acerca dos objectivos da empresa e dos seus compromissos e podem ser usados como uma vantagem competitiva.

O *business case* existe?

A necessidade de reportar sobre sustentabilidade parece assumir uma importância crescente na gestão organizacional. Existe um imperativo para uma organização bem gerida ser transparente para si própria e para o exterior:

- *Gestão*: necessita de informação precisa e compreensiva acerca de tópicos como tendências de mercado emergentes, interesses dos clientes e dos fornecedores, políticas nacionais emergentes, performance da produção interna, atitude dos trabalhadores e fornecedores. Qualquer informação que afecte a performance, a marca e a reputação é informação "material" para a gestão. Os relatórios de sustentabilidade podem ser usados para promover uma melhoria na gestão de informação interna e nos sistemas de monitorização da performance.

- *Fornecedores*: necessitam de uma informação clara sobre as políticas com os clientes e sobre as expectativas, de modo a operarem de forma eficiente. Num mundo onde a subcontratação se tornou prática corrente, a optimização da transparência associada à cadeia de valor do produto tem assumido uma maior importância. As marcas globais sabem que essa ligação é potencialmente positiva e igualmente negativa. A reputação destas marcas globais é agora construída à volta de componentes cuja produção não são capazes de controlar directamente. Os relatórios de sustentabilidade constituem uma ferramenta que assegura a qualidade do produto ao longo da sua cadeia de valor. Existe uma evidência crescente de que as empresas mais transparentes nas suas actividades e políticas são recompensadas pelo mercado. De entre os vários benefícios a níveis diferentes de divulgação temos:

- Diminuição da volatilidade do preço da acção;
- Custo mais baixo no investimento de capital;
- Média mais elevada no preço da acção;
- Uma elevada reputação na gestão.

O aumento da transparência tende a diminuir o risco dos investidores virem a ser surpreendidos por novos desenvolvimentos e a aumentar a confiança na qualidade da gestão.

"Existe uma evidência crescente de que as empresas mais transparentes nas suas actividades e políticas são recompensadas pelo mercado".

As empresas que têm bons sistemas de recolha de informação e de comunicação, quer internamente, quer externamente, estão melhor posicionadas para identificarem os riscos e as oportunidades, o que pode significar uma maior resposta às mudanças no mercado e à melhoria da performance.

Conclusão

Os desafios do desenvolvimento sustentável tornar-se-ão piores antes de melhorarem. As empresas e o mundo dos negócios têm um papel vital a desempenhar, mas não o podem exercer sem comunicar esse compromisso e a sua performance aos *stakeholders*. A sustentabilidade diz respeito a todos. A estrutura desenvolvida pelo GRI, através das suas *guidelines*, está a ter um papel histórico no encorajamento à contínua melhoria por parte de todas as organizações e na procura de novas parcerias que nos levem a outros progressos.

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Sun 18 Apr 2004

Global Reporting Initiative picks up momentum

ANTHONY HARRINGTON

PERHAPS the most difficult hurdle faced by any new reporting mechanism, is how to achieve comparability among reports.

It is more or less universally accepted that CSR reporting is a good thing, but without some standardisation and agreement on what should be measured and reported on, it is extremely difficult to see who is helping the planet and who is just looking to wallow in a fashionable green glow.

The need for common standards to report against is overwhelming, and it was a conviction that something had to be done to generate international agreement in this area, that led to the permanent establishment of the Global Reporting Initiative (GRI) in 2002.

Since then, after a predictably difficult and slow start, GRI has picked up speed and, as its latest report, for 2003, demonstrates, GRI now has what looks to be an unstoppable momentum. Its reporting standards are already adopted, in whole or in part, by around 300 of the world's top companies and by a number of national governments.

Commenting on the publication of the GRI's 2003 Report, the organisation's chair of the board, Judy Henderson reminded everyone that as recently as five years ago, the concept of sustainability reporting did not even exist.

"GRI itself was only established as a permanent institution some 15 months before our publication of the 2003 Report. However, as 2004 begins, there are now some 380 organisations around the world, most of them companies, that use the GRI sustainability reporting guidelines to report their performance," she comments.

With sustainability reporting, the devil really is in the detail. General guidelines are all very well, but the key metrics for sustainability in the automotive industry are not the same as those for the financial service sector or the mining industries, for example.

To address this issue, the GRI has produced a number of new sector specific reporting tools. It now has sector supplements for the automotive, finance, telecoms and tour operators sectors. More sector supplements are planned.

The GRI is essentially a mechanism for drawing together the views on sustainability reporting from a wide range of stakeholders, and its board accepts that a constant process of revision and amendment is essential if the guidelines are going to map to the realities that both organisations and their many stakeholders find meaningful.

Accordingly, throughout 2003 GRI was involved in a global process of revising the guidelines it published in 2002. It is also hard at work on two new sector supplements, for mining and metals, and for public authority reporting.

GRI accepts membership from corporates and government organisations, and has some 60 members, including Ford and General Motors.

"By supporting GRI financially and in many cases by reporting using GRI, these organisations are at the forefront of efforts to ensure the success of this sustainability initiative," says Henderson.

Roger Adams, the technical director of the UK Association of Chartered Certified Accountants, which has run an awards programme for CSR reporting for the past seven years, is one of the founding members of GRI. His involvement goes back to the pre-history of GRI, when it was simply a voluntary steering committee.

"We were pretty naive about standards in those days," he remembers. "We thought that if we could only manage to define a global set of standards for sustainability reporting, then everyone everywhere would jump into the air and shout Hurray." In fact, what they quickly discovered was the sector specific nature of much of sustainability reporting.

"The more we get out and talk to Socially Responsible Investment (SRI) fund managers and investors, and to the preparers of CSR reports, the more it becomes clear that a sectoral guideline is the way that everyone wants this project to go," he says.

Nevertheless, as Adams points out, much good work was done in the early days, in association with the United Nations Environmental Programme.

"There were some 15 stakeholder groups and organisations from around the world represented on the first GRI steering panel and our first meeting with the UN folks was at the end of 1997," he remembers.

The steering committee lasted until the end of 2001, when GRI acquired its present board structure and was formally set up . It is now headquartered in Amsterdam, thanks to a million-dollar award from the Dutch government and the City of Amsterdam

The nuts and bolts research work on the guidelines during these early years was handled by CERES in Boston, and the Tellus Institute, which specialises in environmental economics and environmental accounting. These two organisations drew up the first GRI guidelines.

So is Adams pleased with the progress made so far? Not really, he says.

"We would like to see far more companies adopting the guidelines. We have about 500 organisations out there citing GRI as part of their reporting. However, the number of organisations who are claiming to report fully in accordance with GRI is probably less than 50 in total," he comments.

This low number is explained in part by the fact that many companies who would expect to report in accordance with GRI in 2004, would have taken the 2002 guidelines as the basis for putting formal systems in place in their organisations through 2003, he suggests.

These organisations will have done the necessary testing and documentation work and will be in a position to report in 2004.

Obviously, a huge boost for GRI would be to get formal endorsement from national governments or the European Union.

"In 2004 we are looking for the EU to make recommendations at the reporting level for companies publishing CSR reports and we expect to see GRI being in there in a very important way," Adams says.

In its 2003 report, GRI sets it sights on having at least 600 corporate reporters (as it terms them) by the end of 2005. In addition it expects to get public authorities, NGOs and international organisations in increasing numbers using its guidelines. Already, governments in Canada, Australia, the Netherlands and France have issued national level reporting frameworks based on GRI guidelines.

The GRI points out that the Socially Responsible Investment (SRI) community has grown remarkably over the last 24 months. For the SRI community, the GRI reporting framework is increasingly seen as a key tool to progress in many of the areas and sectors of interest to this group. SRI funds such as Barclays, Calvert, Henderson, Hermes and Insight are all requesting companies to report on GRI Guidelines.

One interesting point is that through 2003, some 15 companies in the US had shareholder resolutions filed against them, demanding a CSR report based on GRI guidelines.

The trend of legal action against companies failing to comply with stakeholder interest in meaningful CSR reporting seems to be gathering momentum.

This article:

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Wednesday March 31 2004

Non-financial reporting is set to grow in importance

From Mr Paul Hohnen.

Sir, Readers over the past few days will be rightly perplexed about the significance of non-financial data to assessments of a company's performance. On the one hand, it is contended by one US academic that "non-financial measures just don't add up" (March 29). On the other, the FT reports growing market interest in non-financial data, on the part of both fund managers ("Fortis plans CSR action in Europe", March 29) and rating agencies ("Companies face an avalanche of questionnaires", March 26).

They might consider three points. First, non-financial performance is difficult to measure. This is precisely why the global reporting initiative (GRI) was developed. When it was created five years ago, few companies reported non-financial performance information because it was not comparable. Now, however, more than 400 companies in some 40 countries prepare reports using the GRI guidelines.

Second, the issue of "questionnaire fatigue" is probably one of the many reasons these companies use the GRI. Because GRI indicators correspond in large measure with questions from SRI (socially responsible investment) fund managers and ratings agencies, a GRI-based report can be an effective first response to incoming questionnaires.

Third, as to the contention that reporting companies do not see the benefits, various studies confirm what seems intuitive: that greater transparency translates into higher market trust, with a positive impact on share price.

As non-financial reporting develops further, including through software applications that will make reporting easier and of higher value to all users, many see non-financial reporting as significant in this century as financial reporting was in the last.

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Monday March 29 2004

FINANCIAL TIMES WEEKLY REVIEW OF THE INVESTMENT INDUSTRY

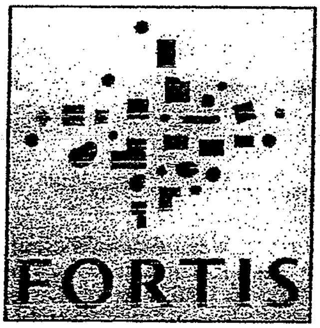
Fortis plans CSR action in Europe

By Paul J Davies

Fortis Investments is aiming to improve corporate social responsibility by systematically voting down the reports and accounts of European companies that do not match its standards in the upcoming annual meeting season.

The fund management arm of the Belgo-Dutch financial services group has contracted Deminor, a Brussels-based research and ratings agency, to apply a set of CSR disclosure standards and issue an alert when a company falls below a defined sector threshold.

"We will be using our voice to promote minimum standards, sending a helpful, constructive signal about the need to improve," said Stewart Armer, head of product specialists at Fortis.



'Promoting standards'

Brand protection has been the strongest motive for companies to lift standards in the past, leading those closer to consumers to improve sooner.

But Mr Armer said institutional investors now faced pressure from governments to exert greater influence over companies' behaviour.

"National governments have less influence over transnational corporations and so are trying to use the direct influence that investors can exercise," he said.

PIRC, the UK corporate governance campaign group, recently launched a CSR advisory service covering UK companies, but Fortis believes Deminor's service is the first to do this on a pan-European basis.

Jean-Nicholas Caprasse, a partner at Deminor, said the service had been designed so that other fund managers could also sign up.

Deminor's standards draw heavily on the principles being pushed by the United Nations Global Compact, a voluntary group of companies and pressure groups, and on the Global Reporting Initiative.

These require companies to have quantifiable performance targets and a board member responsible for social and environmental issues.

A survey by Deminor for Fortis of 262 of the FTSE Eurotop 300 showed a large gap between CSR rhetoric and action.

While 77 per cent of the companies had declared a commitment to CSR issues, just 37 per cent met minimum reporting requirements.

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Wednesday March 3 2004

UN group to measure companies' social virtues

By Mark Turner at the United Nations

The United Nations Global Compact, a voluntary grouping of companies and pressure groups that promotes corporate social responsibility, is preparing its first in-depth study of whether the initiative is having any measurable impact on businesses.

The exercise comes as analysts increasingly question whether the current fad for public-private partnerships is anything more than a public relations exercise. Christian Aid, for example, recently claimed the "image of companies working hard to make the world a better place is too often just that – a carefully manufactured image".

In a report released for this year's Davos summit, it warned: "Some of those shouting the loudest about their corporate virtues are also among those inflicting continuing damage on communities where they work – particularly poor communities."

The question has received fresh scrutiny following the announcement of a joint project between the UN and Microsoft, and will be discussed at a "Global Compact leaders' summit" to be held in June in New York, bringing together corporate, political and civic leaders.

Companies taking part in the study, being conducted by McKinsey, include BP, Pfizer, Hewlett-Packard, Tata and Eskom.

Georg Kell, the organisations's executive head, stresses it would not attempt exhaustively to measure the performance of every company. He also insists the Compact, launched in July 2000, is not a certification agency.

But the study is an attempt to determine whether the Compact is adding value to a debate hitherto characterised more by anecdotal evidence than hard fact.

Mr Kell says some things are already becoming clear: that the picture will be mixed, and that companies cannot bring about social change on their own.

"Unless governments play their role, there are limits to what you can do with voluntary initiatives," he said. It is a similar conclusion to that reached in the aid sector: that individual projects achieve little unless countries are governed properly.

But Mr Kell does think the Compact is changing the debate, as companies come to realise corporate social responsibility is less a public relations exercise, and more a new tool to analyse risk and talk to stakeholders.

A study last March by Lee Tavis, from the University of Notre Dame, claimed that the top management of Novartis, the life sciences company, had taken up the Global Compact's principles to a degree that was "measurable in terms of drugs discovered, patients served and rights protected".

But "the goal of integrating corporate citizenship into the mindset of the operating manager remains a work in progress".

According to Mr Kell, the Compact's main achievement is in opening new windows through which local pressure groups can scrutinise corporate behaviour, and a forum for focused dialogue.

The compact is already pressing companies to produce public reports on their social impact, preferably using standards advocated by the Global Reporting Initiative.

p. 6

GRI Guidelines by sector are a welcome addition

Dunstan Hope welcomes the new telecommunications sector supplement to the main GRI Guidelines

The Global Reporting Initiative (GRI) Sustainability Reporting Guidelines have fast become the primary reporting framework for companies taking on the sustainability reporting challenge.

This trend is with good reason. The multi-stakeholder framework provided by the GRI offers reassurance that reports will cover most of the significant sustainability issues applicable to nearly all companies. Far better than conservative-minded companies deciding these things for themselves.

However, while a core set of guidelines is essential to achieve consistent reporting across diverse organisations, a generic set of indicators can fail to capture aspects of sustainability that are unique to a given industry sector.

For this reason the GRI and the Global e-Sustainability Initiative jointly convened a multi-stakeholder task force to develop a telecommunications "sector supplement" to accompany the main GRI Guidelines. This initiative formed part of a wider trend, with pilot sector supplements now in place for the finance and tourism sectors.

The telecommunications task force developed its supplement over the course of four meetings spanning nine months. The task force included participants from a range of constituencies including telecommunications companies, advocacy groups, trade unions and the investor community. The individual participants come from a range of geographical regions, including Europe, North America, Asia-Pacific and Africa.

The key question to consider is whether the end product demonstrates a real need for sector supplements – or whether they sound good in theory but don't stack up in reality.

I take the former view. But, as I am industry co-chair of the multi-stakeholder process, this should hardly come as a surprise. The ultimate proof will lie not in my bias hunch, but in the application of the supplement by companies and their use by stakeholders.

There are, however, a number of reasons for optimism.

Firstly, we concluded that seven existing GRI indicators (five "core" and two "additional") would benefit from further sector-specific guidance. These included issues such as product stewardship, indirect economic impacts and customer health and safety.

Secondly, there were a number of sector specific issues for which new indicators could be identified – 24 in all, though differences within the sector mean that not all companies will report on all the indicators.

New indicators covered issues such as mobile phones and health, the digital divide, access to content and the Universal Service Obligation.

Many of these indicators were chosen precisely because companies are beginning to put them into practice – for example, policies and practices with respect to the Specific Absorption Rate (SAR) of mobile phone handsets.

Other indicators represent an attempt to arrive at a new indicator to best represent a sustainability issue – for example, we have proposed a set of four indicators around the application of telecommunications products and services by customers.

These innovations indicate that the sector supplements have the potential to promote comparability within a sector and gain similar currency to the main guidelines. It would certainly be difficult to imagine a telecommunications sustainability report that ignored these issues.

It is also worth highlighting for other industries considering this path that the multi-stakeholder process is something to embrace rather than to approach with trepidation.

From my company perspective the process provided an excellent insight into the priorities of different stakeholders and stimulated innovative thinking on potential new indicators. And while I can't speak for them myself, my guess is that stakeholders gained an insight into the practical issues faced by companies in producing sustainability reports.

The supplement is not perfect, far from it. But just as the main GRI Guidelines will benefit from testing over time, so the telecommunications supplement will be refined as part of a "learning by doing" process.

It is often all too easy to put significant effort into a multi-stakeholder process but neglect to follow up on the outcomes. The onus now is for companies to apply guidelines in the spirit for which they are intended – and for stakeholders to use the reports in a way that demonstrates their value to companies. ■

Dunstan Hope was until recently social policy development manager at BT. The Pilot Telecommunications Sector Supplement is available at www.globalreporting.org and www.gesi.org.

Effective replies on greenhouse gases

By Roger Adams
Published: December 11 2003 4:00 | Last Updated: December 11 2003 4:00

From Mr Roger Adams.

Sir, It is axiomatic that climate change will provoke an investment climate change. As efforts to respond to the threat of climate change build momentum, the need for all organisations to assess their exposure to climate risks is becoming more acute. Increasingly, managers, investors and the public want more information on climate-related issues. For data on greenhouse gas emissions and use of energy efficiency and renewable energy technologies to be of value, however, they will need to be measured and reported in a consistent and comparable manner.

Here, the Global Reporting Initiative's multi-stakeholder developed disclosure guidelines offer a ready-made framework. The GRI's sustainability reporting guidelines contain six specific indicators on energy use and greenhouse gas emissions that can be used now by all organisations for measurement and public reporting.

Companies using GRI's reporting process stand to benefit in two ways. First, they will have a better understanding of their own policies and performance. Second, they will be better armed than their competitors to respond to the complex political, social, ecological, and market forces - including climate change - that affect their long-term returns. A climate of transparency will be fundamental to an effective greenhouse response strategy.

Roger Adams, Executive Director - Technical, Association of Chartered Certified Accountants, London WC2A 3EE

FINANCIAL TIMES THURSDAY DECEMBER 4 2003

ACCOUNTING

UK body calls for global debate on reporting

By Andrew Parker, Financial Correspondent

The UK's leading representative body for accountants will today launch an international debate on the need for a new corporate reporting model following US business scandals.

The Institute of Chartered Accountants in England and Wales wants to stimulate a global debate on whether the existing method of business reporting is sufficiently flawed that it should be replaced by a new model.

In a consultation paper entitled New Reporting Models For Business, the institute says it wants "to facilitate agreement on whether a new model is needed, what it might look like and how it should be promoted".

US business scandals, which involved major accounting abuses, intensified concerns that corporate reporting is inadequate.

However, the institute says no agreement has been reached on reform of business reporting and suggests none is likely to emerge. Many business people believe the short-term focus should be on efforts to ensure a smooth introduction of international accounting standards in 2005 in the European Union, rather than on proposals for a sweeping overhaul of business reporting.

The institute highlights some limited changes to reporting, such as the UK plan for a mandatory operating and financial review for listed companies that is focused on their future risks.

"But these changes are occurring in a piecemeal way and none of them as yet fully addresses the concerns of corporate reporting's critics," says the institute.

The consultation paper summarises 10 proposals for new corporate reporting models that have been offered over the past 10 years. They were written by academics, accountants, think-tanks and investor groups, and the institute points out the merits and difficulties of the proposals.

One set of proposals, published in 1998 by the institute, called on companies to provide a bigger range of performance indicators.

The institute, noting possible difficulties with the model, accepted the need to strike a balance between more transparency and protecting commercially sensitive information.

The Brookings Institution, the Washington based think-tank, issued proposals in 2001 that outlined a framework to enable companies to value all intangibles, including intellectual and reputational assets.

But the think-tank, noting problems with the measurement of intangibles, accepted the need for more research.

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Monday November 3 2003 p. 8

CORPORATE RESPONSIBILITY

Spotlight set to fall on effects of big business

Social and environmental impact will soon be part of UK annual reports, says **Roger Cowe**

At the end of this month, the British government is expected to signal the beginning of a drive to make clear the effects that the biggest companies in Britain have on communities and the environment.

The government is set to propose that the country's 1,000 or so largest businesses – to be defined by criteria including revenue, employees and assets – should disclose the "material" social and environmental impacts of their operations each year, as part of the operating and financial review in their annual report.

Guidance is currently being finalised on how to identify a "material" impact.

While this new requirement will provoke groans about bureaucracy in some quarters, it will be welcomed elsewhere as a move towards greater transparency. Many companies already provide this kind of information in corporate responsibility reports.

The growth in such reporting has been prompted partly by demand from investors – who are increasingly concerned about the risks attached to the social, ethical and environmental impacts of business – and partly by developments such as the FTSE4Good and Dow Jones Sustainability indices.

But it has also been given a push by the growing consensus on what companies should report and how, especially with the emergence of a widely accepted common framework drawn up by the Global Reporting Initiative, a United Nations-backed body based in Amsterdam.

The GRI believes that more than 300 companies worldwide have used its guidelines to some extent, double the number just a year ago. Independent research by Corporate Register, which monitors sustainability reporting, reveals that more than 600 companies worldwide have published hard-copy reports in each of the past two years, and in the UK only six of the FTSE 100 say nothing about these issues, although not all produce a special report.

While the quantity of sustainability reporting has grown rapidly, the quality of reporting remains patchy.

Many companies seem to regard a sustainability report as primarily a public relations document. Observers complain that they focus on "feelgood" subjects such as community support, concentrate on policies and processes rather than targets and outcomes and fail to engage with "stakeholders".

And they fail to provide independent verification of their approach and the contents of their reports.

An internet-based research project* carried out recently by ECC, a European network of public relations companies, highlighted some clashes between what companies report and what their main stakeholders want.

Readers of company sustainability reports said their purpose was to provide accountability and transparency. They wanted a systematic treatment of the issues, shaped by stakeholder needs and concerns, not those of the company. Interestingly, given the imminent operating and financial review requirement, most respondents to this survey were in favour of making sustainability reporting mandatory for big companies.

Martin Le Jeune, head of corporate responsibility at the network's UK affiliate, says: "Readers want warts-and-all reporting related to real business issues and areas of risk."

Stakeholder input is important in shaping the focus of reports, according to Adrian Henriques, who has been involved in the development of social reporting since the mid-1990s and is now director of the consultancy JustAssurance.

"Simply asking what stakeholders think of you as a company is not enough," he says. "Stakeholders need to see that their issues, interests, views and concerns are voiced and ultimately responded to."

This was one of the main conclusions of research** published by CSR Europe (the European Union-backed business organisation) and Accountability, a think-tank. After researching the companies most active in sustainability reporting, they concluded that innovation in how companies engage with stakeholders was the key to success and assurance (or auditing) increased the effectiveness of reporting.

The CSR Europe/Accountability research also concluded that reports can have the most impact within companies.

Accountability has recently published a standard for providing assurance to sustainability reports. It sits alongside a previous standard concerned with the reporting process. Together with the Global Reporting Initiative framework, these guidelines give companies a clear template for what to include in sustainability reports, how to go about it and how to make sure that readers will value and trust the content.

In comparison, the challenge of producing an operating and financial review pales into insignificance.

'Stakeholders need to see their issues, interests, views and concerns are voiced and ultimately responded to'

** Global CSR Reporting Survey, ECC Kohtes Klewes and Fishburn Hedges*
*** Impacts of reporting, CSR Europe and Accountability*

The Australian Financial Review
www.afr.com • Thursday 9 October 2003

Ethical from top to bottom

It's time for a universal standard on corporate environmental reporting, says **Allan Fels.**

Ford has adopted the UN-backed global reporting initiative as its triple bottom line reporting standard. Photo:

In a few short years, triple bottom line reporting has moved from obscurity to common mainstream business practice. Unfortunately, investors and consumers are still without a mechanism to verify the quality and credibility of the environmental and social data companies are reporting. This needs to change.

Last year, just under half the world's 100 largest companies produced a social or environmental report, according to a survey by the CSR Network, a UK consultancy.

This trend has largely been driven by the growing number of so-called ethical investment funds which screen companies for compliance with nominated environmental and social standards. Many of these funds manage their portfolios in line with an index such as the Dow Jones Sustainability Index or the FTSE4Good index. Companies undertake triple bottom line reporting to win inclusion in these indices.

In Australia, triple bottom line reporting is spreading because superannuation funds have begun offering members the option of investing their retirement savings in ethical investment funds. Two of the biggest super funds to do this are UniSuper and HESTA, which have a combined membership of almost 1 million people.

Internationally, a growing number of companies, including Royal Dutch/Shell, Ford, Siemens, Toshiba and General Motors, are structuring their triple bottom line reporting around a framework known as the global reporting initiative.

The GRI has the backing of the United Nations and works in the same way as the general accepted accounting principles which guide financial reporting. It lets companies focus on what they are reporting, not which indicators are the right ones to address. It has been adapted and applied to a range of different industry sectors including mining, banking, chemical production and manufacturing.

The GRI is fast becoming the de facto standard defining the triple bottom line. The Minister for the Environment, David Kemp, acknowledged the benchmark status of the GRI framework in a guide to triple bottom line reporting he released in June.

The emergence of the GRI standard is crucial as for the first time it lets investors directly compare and contrast companies' performance on environmental and social indicators, and to accurately track a company's performance over time. This lack of consistency has been a major source of criticism about triple bottom line reporting.

Unfortunately another oft-cited problem with triple bottom line, the lack of credibility of the environmental and social information being reported, has yet to be adequately addressed in Australia.

Most triple bottom line reports are internally generated. Many have not been prepared to submit their reports to independent auditors for verification. Furthermore, there is no generally agreed upon certification scheme for triple bottom line auditors and assurance professionals to guarantee their independence. This means even those companies prepared to expose their performance to an external audit do so knowing there will be scepticism about the scope for the auditor to overlook concerns in order to ensure the flow of future earnings from the company.

If this trap is to be avoided, Australia needs to establish a well-regulated system of independent verification of triple bottom line reports.

A mix of industry self-regulation and government oversight similar to that which has evolved over time in the financial audit profession is desirable. At present, companies internally generate their financial accounts according to an agreed framework. These are checked by a certified external agent – the audit firm – which follows industry-determined procedures of verification, and publicly vouches for credibility and quality of the accounts. Regulations reinforce th process by instituting penalties for misleading conduct by auditors.

To date, there has been fierce competition among Australian financial services firms to become the leader in environmental and social reporting. It is time this rivalry be put aside in favour of working together towards agreement on a single, robust process for the verification of tripl bottom line reports.

The result would be something most Australians would endorse: our leading companies working as diligently towards improving their environmental and social performance as they do towards improving their financial performance.

■ *Allan Fels is dean of the Australia and New Zealand School of Government, and the former chairman of the Australian Competition and Consumer Commission. He will be an occasional columnist for the* AFR.

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Friday December 19 2003

Majority of world's companies have failed to face up to their human rights responsibilities

From Mrs Mary Robinson.

Sir, I welcome the opportunity to respond to the letter of Mr Thomas M. T. Niles, president of the US Council for International Business (December 17), in which he commented on Alison Maitland's article "Companies say they will work with UN code on human rights" (December 9).

Mr Niles is right to say that many companies are committed to respecting human rights. This can be seen in their anti-discrimination programmes as well as labour, health and safety policies that contribute to the enjoyment of fundamental rights. It is also welcome that some leading companies are beginning to use international human rights standards as their benchmark for policy and action, both in the workplace and in wider society.

But Mr Niles goes too far in suggesting that this is common practice. The great majority of companies around the world have not thought carefully about their responsibilities in relation to human rights. A recent survey by the Organisation for Economic Co-operation and Development found that only one in five has adopted codes of conduct or shares compliance information with the public. Few companies even mention human rights in their codes of conduct. Far fewer participate in third-party auditing of their social and environmental performance or employ third-party reporting systems. In more extreme cases, companies are directly responsible for, or complicit in, violations of rights – as recent expert reports of the United Nations Security Council on the *Illegal Exploitation of Natural Resources and Other Forms of Wealth of the Democratic Republic of Congo* clearly show.

Nor does Mr Niles correctly characterise the UN Norms on business and human rights which the UN Sub-Commission on Human Rights passed earlier this year. The norms offer a single document in which all the existing international human rights principles applicable to businesses are gathered.

I agree with Mr Niles that it would be "dangerous to 'privatise' the implementation of international human rights conventions, transferring that responsibility from governments to the private sector . . ". But this is not what the UN Norms would do. The opening paragraph of the document makes this clear: "States have the primary responsibility to respect, ensure respect for, prevent abuses of, and promote human rights recognised in international as well as national law, including ensuring that transnational corporations and other business enterprises respect human rights."

The norms document is not a treaty, to be ratified by states, thereby triggering binding legal obligations. Rather, it should be seen as a template corporations can use to set standards. The norms are more authoritative than the many different codes of conduct adopted by companies, would apply to all companies thus providing a level playing field for business competition, and are more comprehensive in their subject matter than each of the existing standards. I would invite Mr Niles and others to consider the example of companies participating in the Business Leaders Initiative on Human Rights, which Ms Maitland's article describes. These companies have decided to "road-test" the norms in their work. Businesses should welcome the opportunity to see how far the norms can help them to apply human rights policies and practices within their operations.

Mary Robinson,
Executive Director, The Ethical Globalisation Initiative,
Chair, Business Leaders Initiative on Human Rights,
New York, NY 10016, US

'armalat needs to be transparent about behaviour

...m Ms Myriam Vander Stichele.

...ir. Not only Parmalat's financial ...ctices seem to need transparency ...l scrutiny, but also its behaviour ...ards its labour force and milk ...pliers. In contrast to the wealthy ...ironment in which its headquarters ... based ("Prosperity is Parma's cure ... the town's financial ills", December ... Parmalat's sourcing and ...ructuring practices have had little ...ct of distributing prosperity. ...ccording to studies, Parmalat has increasing the use of cheap casual and subcontracted labour in South Africa, and was officially recognised (April 20 2003) not to have followed the Organisation for Economic Co-operation and Development guidelines for multinational enterprises during its restructuring in Brazil. In both countries, Parmalat's low-price supply strategies have driven small milk producers out of the market while dairy prices for consumers have risen.

...painful measures might be lost through non-transparent financial constructions. So why do proposals for a World Trade Organisation investment agreement require "transparency" only from governments?

Myriam Vander Stichele,
Researcher,
SOMO (Centre for Research on Multinational Corporations),

FINANCIAL TIMES

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Wednesday January 21 2004

Call for laws on multinationals' responsibilities

By Alison Maitland in London

International laws are needed to control multinationals' operations in developing countries because their voluntary social and environmental initiatives have proved "wholly inadequate", Christian Aid says in a report today.

The development agency uses case studies involving British American Tobacco, Coca-Cola and Royal Dutch/Shell to illustrate its claim that the rhetoric of corporate social responsibility can mask operations that make life worse for the communities in which multinationals operate.

Christian Aid says BAT stresses the health and safety of workers, but contract tobacco farmers in Kenya and Brazil report inadequate protection against pesticides and complain of related ill-health.

Coca-Cola stresses responsible use of natural resources but this jars with accusations that its subsidiary in the Indian state of Kerala has depleted village wells of scarce water.

Shell says it strives to be a good neighbour, but the report accuses it of failing to clean up oil spills quickly in the Niger Delta and establishing "frequently ineffective" community development projects. The case studies include responses from the companies.

"Governments must adopt an international set of standards for the behaviour of companies," said Andrew Pendleton, senior policy officer at Christian Aid and author of the report, *Behind the mask: the real face of corporate social responsibility*, which is published to coincide with the opening of the World Economic Forum today. "Instead of talking about more voluntary CSR in Davos, governments should be discussing how new laws can raise standards of corporate behaviour."

Christian Aid has already called for mandatory social and environmental reporting by British companies. It is one of the non-profit groups in the Corporate Responsibility (Core) campaign, which wants the UK to make directors legally accountable for their companies' actions overseas and allow redress through British courts for those harmed by companies' foreign operations. The government prefers a voluntary approach. Today's report urges the European Union to adopt legally binding human rights, environmental and social standards for EU companies operating overseas.

It also says the United Nations should start developing "an international legal framework for corporate accountability" to include key standards in areas such as the environment, labour, human rights and transparency. It argues that the recent UN norms on human rights, which have been opposed by bodies such as the US Council for International Business, should form the basis of this effort.

"Business has consistently used CSR to block attempts to establish the mandatory international regulation of companies' activities," the report says. Resistance to regulation "has left the worst corporate abusers effectively unrestrained and the victims of their actions without adequate means of redress."

EFFECTIVENESS OF ROYAL DUTCH/SHELL SOCIAL SPENDING IN NIGER DELTA QUESTIONED BY CHRISTIAN AID REPORT

By Michael Peel in Lagos

Royal Dutch/Shell has failed to use its influential position in Nigeria to improve conditions in the oil-rich but socially deprived Niger Delta region, the Christian Aid report alleges.

The research questions the oil group's conclusions that 75 per cent of its new projects are successful and says the region is a "veritable graveyard" of non-functioning water systems, health centres that have never opened and schools where no lesson has ever been taught.

The report is the latest addition to an increasingly bitter debate over whether oil companies' increased emphasis on social spending in the Delta over the past few years has had any positive impact on the ground.

"Shell has failed to use its considerable influence in Nigeria to bring about change in the Niger Delta," the report says.

The report claims that it found no functioning community projects among six it visited in the Umuechem community in Rivers State.

Four of the projects were funded by Shell and two by the state Niger Delta Development Commission.

The research criticises Shell's record on oil spills in the Delta, where decades of oil production have been accompanied by a growth in criminal gang activity and deep public anger about pollution and economic underdevelopment.

Shell is the largest oil multinational in the country and operates a joint venture whose output accounts for nearly half the national daily output of 2m barrels of crude.

The company increased its emphasis on community spending after it came in for heavy criticism in 1995, when Ken Saro-Wiwa and eight other social activists were hanged by the military government of the late General Sani Abacha.

Shell said it did not claim all its community projects had worked, but added that it had externally verified its 2002 conclusion that 93 per cent of projects less than a year old were functional and 75 per cent were successful.

The company said 94 per cent of oil spills by volume in 2002 were caused by sabotage, which could involve people breaking open pipelines to take oil or to create repair work for their communities.

"That's all down to the depressed economic and social conditions in the country," the company said. "People want to create work for themselves."

The Japan Times
Wednesday October 29, 2003

SEEKING GLOBAL STANDARDS

Companies urged to engage in good citizenship

By KAHO SHIMIZU
Staff writer

In the wake of huge corporate scandals in Japan and the United States, companies are under pressure to be more socially responsible.
The trend has fed demand for universal guidelines for firms to use in filing reports on how they are performing in terms of society, the environment and ethics, according to Ernst Ligteringen, head of the Amsterdam-based nonprofit organization Global Reporting Initiative, known as GRI.

Ernst Ligteringen

"It is important to have a global standard (for comparability) because the economy is (becoming) increasingly integrated at a global level," Ligteringen said in a recent interview in Tokyo. GRI released its first guidelines in 2000. They were revised last year.

GRI is collaborating with the United Nations Environment Program to promote the guidelines, which are for use by any company or organization, regardless of industry sector, size or location.

More than 328 firms in 26 countries have published reports using the Sustainability Reporting Guidelines. Most of their reports are available on the companies' Web sites.

In Japan, 62 companies -- including Ajinomoto Co., Nissan Motor Co., Hitachi Ltd., Sony Corp. and Shiseido Co. -- have referred to GRI guidelines. The number of users in Japan doubled from last year, Ligteringen said.

"It is not surprising that sustainability in Japan is such a pressing issue," because Japan lacks natural resources, he said.

The guidelines cover three categories: economic, social and environmental performance.

Each category has dozens of detailed indicators, including what policy a firm adopts to prevent child labor, what measures have been taken for energy-saving and waste management, and how a firm maintains compliance mechanisms to prevent corruption. The economic category overlaps financial statements.

Companies can use any of the indicators, if not the whole package. Most of the reports published by Japanese firms focus on environmental activities.

Ligteringen noted that this is because environmental issues have traditionally been an emphasis of Japanese firms.

The Japanese government also pays attention. The Environment Ministry's guidelines for corporate environmental reports, first issued in February 2001, was modeled after the GRI standards, a ministry official said.

Although there are some codes of conduct set out by international organizations, including the U.N., the GRI guidelines are the first for filing reports, according to Ligteringen.

The Japan Times: Oct. 29, 2003

Talking Japanese

With most pressure on Japanese companies to disclose CSR information coming from foreign investors, there is an urgent need to bridge gaps in communication, argues a new report from ASrIA. **Alex Mathias** reports

Tobacco, alcohol and gambling are not considered 'sinful' by Japan's religious standards and there is no Japanese word for 'engagement' – which makes some of the cornerstones of socially responsible investing (SRI) in the US and Europe woefully inadequate for the Japanese market.

There are stark differences between Japanese and 'Western' corporate social responsibility (CSR) priorities, says the Association for Sustainable and Responsible Investment in Asia (ASrIA). In a recent study, *Foreign versus local: The debate about SRI priorities in Japan*, it attempts to address communication gaps between Japanese companies and foreign SRI analysts and investors – a subject it feels has been neglected.

After an enthusiastic reception for SRI in Japan – Nikko Asset Management's Eco Fund attracted $1 billion within six months of its launch in August 1999 – Japan's SRI market has shrunk back to approximately ¥71 billion ($651 million), hit by the equity market downturn. Domestic institutional investors have shown interest in SRI, says Yuro Satoshi, Tokyo-based programme director for SRI research firm Center for Public Resources Development, but have avoided investing because of fears they would be in breach of their fiduciary responsibilities to maximise returns.

Tomoo Machiba, GRI: companies should be judged by how they have been improving, or by benchmarking them with their Japanese peers

Most of the CSR reporting pressure on Japanese companies therefore comes from foreign investors. Japanese companies make up a sizeable proportion of many global SRI funds and indexes. At the end of October, they comprised 23% of the holdings of US asset manager Calvert's World Values International Equity Fund, and 14% of those of UK fund manager Henderson Global Investors' Horizon Global Sustainable Investments Fund, for example. Both funds are overweight in Japanese stocks compared to the MSCI World Index, which had a 9.4% weighting for Japan at the end of October.

But the country's different approach to CSR means that Japanese companies are often not providing the information required by Western analysts and investors. On the environmental side, Japanese companies have excelled, particularly on product life cycle analysis and environmental accounting, says the ASrIA report. During fiscal year 2002/03, 650 Japanese companies published environmental reports, and the figure is expected to reach 900 this year, according to the Ministry of Environment, which published a set of suggested reporting guidelines for companies in 2001.

Japan tops the list of countries using the Global Reporting Initiative's voluntary guidelines, with 67 out of 341 reporters coming from Japan, as of mid-November. The guidelines offer a degree of flexibility that allows companies to report on issues that they, and their stakeholders, consider relevant to their business and do not need to report on indicators they deem irrelevant, says Tomoo Machiba, its Amsterdam-based programme coordinator.

But, despite these inroads, crucial issues are still not being disclosed by most Japanese reporters, such as human rights, and labour rights for part-time workers and disabled people, says Kyoko Sakuma, senior analyst at Stock at Stake, the research arm of Belgian SRI consultancy Ethibel. She adds that many seemingly robust CSR reports do not cover companies' entire operations.

Most Japanese companies have only begun to tackle social issues in their reports over the past two years, with about 100 companies now publishing 'sustainability' reports that include a social element, ASrIA says. Human rights, labour management and supply chain issues remain particularly weak areas, it notes.

It suggests two reasons why Japanese companies are laggards in social reporting. The first is the different cultural and regulatory context in which they are operating. Companies have been slow to address gender inequality and problems in labour–management relations. Human rights concerns have not been addressed, partly because of a lack of government direction, according to the report. And civil society and non-governmental organisations have traditionally applied less pressure on companies, it adds.

A second reason lies with the Western SRI research firms evaluating Japanese companies, the report says. Certain SRI concepts are not easily understood by Japanese companies without explanation, and Japanese firms are also often concerned by "how the information supplied would be interpreted", says Tessa Tennant, ASrIA's executive chairwoman. "There needs to be much more dialogue."

Questionnaires, often criticised by US and European SRI participants for being inadequate tools to assess companies' CSR performance, are particularly ineffective in Japan. This year, Stock at Stake stopped using them with Japanese companies altogether, in favour of face-to-face interviews, says Sakuma. Japanese companies, when more closely analysed in this way, perform similarly to their overseas counterparts on many CSR issues, she adds.

While most SRI participants agree that CSR criteria should be universal rather than regional, most think Japan's historical and cultural make-up should be taken into consideration when assessing its companies. They should be judged "by how they have been improving year-by-year, or by benchmarking them against other similar Japanese companies," says Machiba of the GRI.

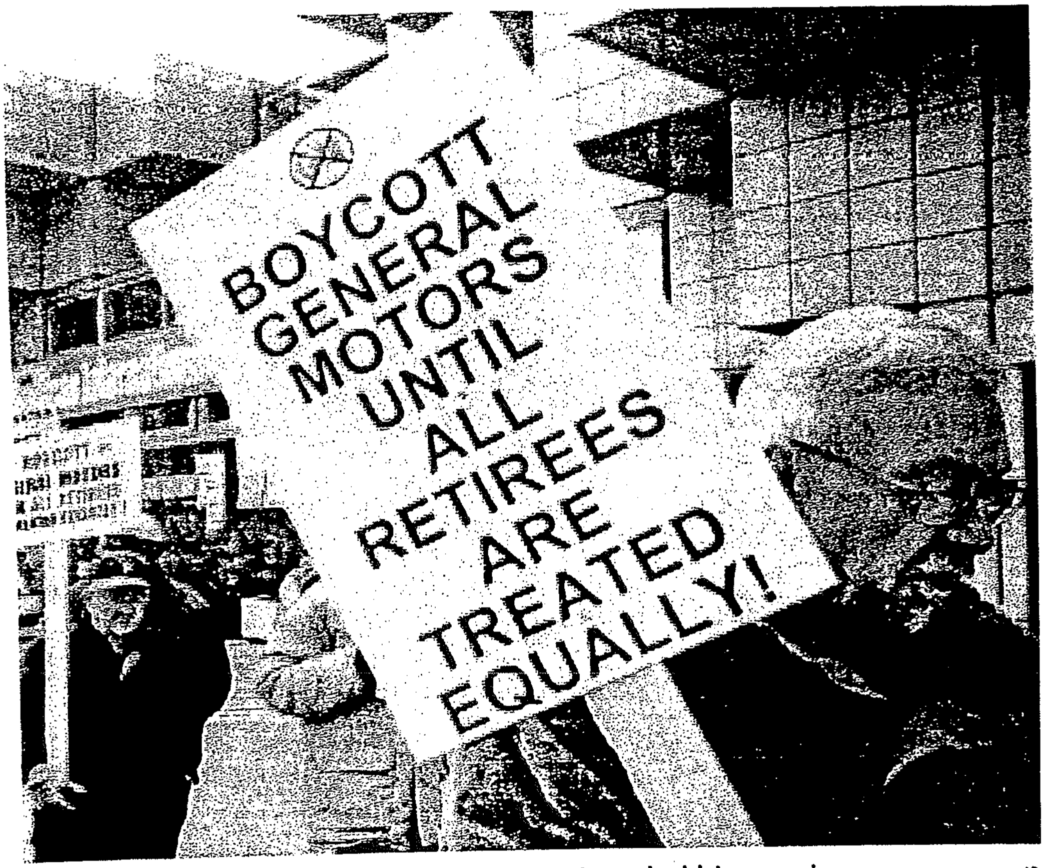
ASrIA's report concludes that better communication between Japanese companies and international SRI research firms will improve Japan's reporting standards and international firms' evaluations of Japanese companies' environmental and social performance. Tennant points out that Japanese companies have responded more quickly to the disclosure of CSR issues than Western companies. The number of Japanese environmental reports went from less than 50 in 1998 to 600 in mid-2002, she says. In five years' time Japan will be the leading country for CSR reporting, she predicts. But it remains to be seen whether greater disclosure will be matched by a boom in the domestic SRI market.

FINANCIAL TIMES
MONDAY SEPTEMBER 29 2003

PERFORMANCE MEASUREMENT

Verifying the facts is a difficult task

But key performance indicators are finally becoming more sophisticated, writes Roger Cowe



White collar retirees picket a national auto show in Detroit over health insurance issues AP

Executives are fond of the saying "what gets measured, gets managed" – and measuring corporate social responsibility (CSR) performance has been a boom industry in the past few years.

There is more public reporting by companies than ever, and it is no longer restricted to the largest or most controversial multinationals. An analysis* published this month, found that more than half of the UK's top 250 companies now produce some kind of social or environmental information. These figures have grown rapidly in the past few years, driven largely by the requirements for inclusion in stock market indices such as FTSE4Good, and by the need to demonstrate responsible business behaviour.

Report content and quality varies greatly, and only 45 of the 132 documents were independently verified or audited.

The advance of the Global Reporting Initiative (GRI) is bringing greater uniformity, however, on an international level. This UN-supported, multi-stakeholder body has developed a set of generally applicable reporting principles and measures, and is now working on guidelines for individual sectors.

Research by the consultancy, CSR Network, found that almost half of the world's 100 biggest companies produced a social or environmental report last year, with most of the leaders making some reference to GRI. Even so, comparability will remain elusive. CSR performance cannot be encapsulated in two or three indicators – as financial performance can with measures, such as sales, earnings or asset value.

Simon Propper, an environmental reporting veteran and one of the consultants behind the UK reporting analysis, says it is naive to assume such reports can be used in the same way as financial accounts, to compare performance directly.

"The value of CSR reports is in what they reveal about a company," he says. "Good reports tell you very quickly that the company has thought seriously about these issues – and how they affect their business."

That is important, but it is not enough for investors who want to rank companies, nor for customers, employees or campaigners who want to assess corporate responsibility. Increasingly, companies also want hard numbers to use internally in performance appraisal and incentive schemes, although such measures tend to be specifically related to executives' particular responsibilities, rather than generic issues.

Measurement is getting more sophisticated. Environmental performance is easiest to gauge, and one organisation has developed a method for narrowing it down to a single figure.

The company, Trucost, uses economic modelling and companies' own accounting information to assess the environmental "externalities" which are not captured in conventional financial accounts.

The Trucost rating indicates the scale of these unaccounted costs – and since this is a single number, it can be used to compare different companies or the progress of an individual organisation.

Much of the work on assessing CSR has been done by (or for) investors. Initially, this was based on pass/fail criteria which delivered a "seal of approval".

This is the case with the FTSE4Good indices, which include companies that meet set standards. They do not attempt to measure performance above that minimum to create a ranking.

The Dow Jones Sustainability Indices are slightly different. Rather than setting a hurdle, they include companies judged to be the most sustainable in their sector.

There is still no attempt to rank index members, although the DJSI does name sector leaders. For example, Toyota has just